

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 16972 181320Z

47

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 L-03 TRSE-00 FRB-03

OMB-01 COME-00 CIAE-00 INR-07 NSAE-00 /043 W

----- 083685

P R 181135Z DEC 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 2907

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 16972

EO 11652: NA

TAGS: EFIN, IN

SUBJ7 GOI DIVIDEND DECLARATION RESTRICTIONS

REF: A. STATE 293792 B. NEW DELHI 16013

1. STATUTORY RESTRICTIONS ON THE PAYMENT OF ALL CORPORATE DIVIDENDS FOR A PERIOD OF TWO YEARS WERE IMPOSED ON JULY 6, 1974 THROUGH AN ORDINANCE PROMULGATED BY THE PRESIDENT AS PART OF GOI ANTI-INFLATIONARY FISCAL MEASURES. THE ORDINANCE WAS SUBSEQUENTLY REPLACED BY AN ACT OF PARLIAMENT. HLA COPY OF THE COMPANIES (TEMPORARY RESTRICTIONS ON DIVIDENDS) ACT (NO 35 OF 1974) TOGETHER WITH AMENDMENTS TO DATE IS BEING AIRPOUCHED FOR ATTENTION OPIC. THE RESTRICTIONS ARE TEMPORARY AND ARE EXPECTED TO LAPSE IN JULY 1976, ALTHOUGH THE POSSIBILITY EXISTS THAT THEY COULD BE EXTENDED.

2. THE EXISTING REGULATIONS DO NOT SPECIFICALLY PRECLUDE THE DECLARATION AND REPATRIATION OF DIVIDENDS BY FOREIGN COMPANIES IN PARTIAL LIQUIDATION IF THE DIVIDENDS SO DECLARED ARE WITHIN THE OVERALL PARAMETERS ESTABLISHED BY THE ACT. AN AMENDMENT TO THE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 16972 181320Z

ACT PERMITS COMPANIES TO DECLARE HIGHER DIVIDENDS

PROVIDED THE EXCESS OVER THE "DISTRIBUTABLE PROFITS" ARE DISBURSED IN TWO EQUAL INSTALMENTS ON OR AFTER JULY 6, 1976 AND JULY 6, 1977. IN ANY EVENT, REPATRIATION IN THIS CASE WOULD BE PERMITTED ONLY AFTER OBTAINING THE SPECIFIC APPROVAL OF THE RESERVE BANK OF INDIA, WHICH WILL TAKE ITS INSTRUCTIONS FROM THE GOI MINISTRY OF FINANCE. IN THE ABSENCE OF ANY KNOWN PRECEDENTS, MERCK'S APPLICATION FOR REPATRIATION OF THE RETAINED EARNINGS WOULD BE REVIEWED ON THE MERITS OF THE CASE AND WE SUSPECT THAT THE COMPANY'S OVERALL CORPORATE POSTURE IN INDIA WOULD WEIGH HEAVILY, ALBEIT UNOFFICIALLY.

3. SHOULD MERCK DECIDE TO APPLY FOR REPATRIATION OF VSB RETAINED EARNINGS OR OTHER CAPITAL INVESTMENTS FROM INDIA, NOW IS AS GOOD A TIME AS EVER. WE OFFER NO PREDICTION ON THE FUTURE FOREIGN EXCHANGE SITUATION.

4. WITH REGARD TO APPROACHING THE RBI, WE SUGGEST THAT MERCK FIRST SUBMIT ITS APPLICATION AND WE WILL FOLLOW IT UP. WE CONTINUE TO BELIEVE THAT A PRINCIPAL OF THE COMPANY SHOULD COME TO INDIA AND BE PREPARED TO STAY FOR A REASONABLE PERIOD TO DISCUSS THE COMPANY'S FUTURE ROLE IN INDIA. WE WILL BE PLEASED TO MAKE THE NECESSARY APPOINTMENTS AND ACCOMPANY THE COMPANY REPRESENTATIVE IF HE DESIRES.

SAXBE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STOCK DIVIDENDS, ECONOMIC CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NEWDE16972
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750440-0300
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751228/aaaaaygc.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 293792, 75 NEW DELHI 16013
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 AUG 2003 by CunninFX>; APPROVED <13 AUG 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOI DIVIDEND DECLARATION RESTRICTIONS
TAGS: EFIN, IN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006